

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 6238**

**BILL NUMBER: HB 1754**

**DATE PREPARED:** Dec 18, 2000

**BILL AMENDED:**

**SUBJECT:** Renter's Deduction for College and Public Housing.

**FISCAL ANALYST:** Brian Tabor

**PHONE NUMBER:** 233-9456

**FUNDS AFFECTED: X GENERAL  
DEDICATED  
FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill extends the renter's deduction to individuals who reside in on-campus housing at institutions of higher education located in Indiana or in low-income housing.

**Effective Date:** January 1, 2002.

**Explanation of State Expenditures:** The Department of State Revenue may incur additional administrative expenses associated with the revision of tax forms, instructions, and compliance. However, the Department should be able to absorb these costs given its current resources.

**Explanation of State Revenues:** *This proposal extends the renter's deduction to students living in on-campus housing at Indiana schools and to low-income housing residents. The combined impact of allowing these groups to claim the renter's deduction is estimated to be less than a \$1.7 M annual reduction in state income tax revenue.*

Under current law, a taxpayer may deduct from his/her state taxable income an amount equal to the total rent paid during a tax year up to \$2,000. This bill expands the group eligible for the renter's deduction to include:

- (1) students enrolled at Indiana educational institutions and renting on-campus housing; and
- (2) individuals renting certain low income housing units.

(A deduction is not currently available if the renter's dwelling is exempt from property taxation.) A taxpayer deducting the full \$2,000 would reduce his/her Individual Adjusted Gross Income (AGI) Tax liability by \$68 (\$2,000 multiplied by the 3.4% AGI Tax rate).

*College housing:* Based on information provided by the Indiana Commission for Higher Education, it is estimated that there are approximately 50,000 occupants of student housing at Indiana's colleges and

universities. As many students do not pay room expenses themselves and often have no tax liability, the estimated number eligible for this deduction could be approximately one-third of 50,000, or 16,700. Assuming that the annual rental expense exceeds \$2,000 for all dormitory and on-campus housing residents, the potential impact of expanding this deduction could be up to \$1.1 M annually (16,700 students multiplied by a \$68 loss per taxpayer).

*Low-income housing:* According to data from the U.S. Department of Housing and Urban Development, there were 18,596 low-income housing units operated by various Indiana housing authorities as of August 2000. As some individuals residing in low-income housing may not have any tax liability, the number eligible for this deduction was estimated to be one-half of 18,596, or about 9,300. Occupancy rates are not available, but if these units were estimated to correspond with an equal number of taxpayers, the potential revenue loss would be approximately \$632,000 (9,300 multiplied by a \$68 loss per taxpayer).

The combined impacts for college housing and low-income housing explained above total \$1.7 M annually. This expansion of the renter's deduction is effective for tax years beginning January 1, 2002, and would affect revenue collections in FY 2003 and subsequent years. Individual AGI Tax revenue is deposited in the General Fund.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Counties imposing local option income taxes will experience a minimal reduction in their revenue from these taxes.

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:** Counties imposing local option income taxes.

**Information Sources:** Kent Weldon, Deputy Commissioner, Indiana Commission for Higher Education, (317) 464-4410; Public and Indian Housing Information Center's Housing Authority Profiles, U.S. Department of Housing and Urban Development ([www.hud.gov](http://www.hud.gov)).